Brascan Limited

1984

Annual Report

Brascan LIMITED

Brascan Limited is a major natural resources, consumer products and financial services company.

Natural Resources

Brascade Resources Inc. 70%
Natural resources company

- **Noranda Inc. 46%**
  Mining, oil and gas, forest products and manufacturing
- **Westmin Resources Limited 63%**
  Oil and gas and mining
- **Lacana Mining Corporation 28%**
  Precious metals, oil and gas

Consumer Products

John Labatt Limited 37%
Brewing, consumer and agri products

Scott Paper Company 25%
Sanitary, printing and publishing papers

Financial Services

Trilon Financial Corporation 39%
Financial services company

- **Royal Trustco Limited 50%**
  Trust and financial services
- **London Life Insurance Company 98%**
  Life insurance and financial services
- **Wellington Insurance Company 100%**
  Property and casualty insurance
- **Royal LePage Limited 51%**
  Real estate brokerage

Other Operations

Great Lakes Group Inc.49%
Selected financial and investment activities and power generation

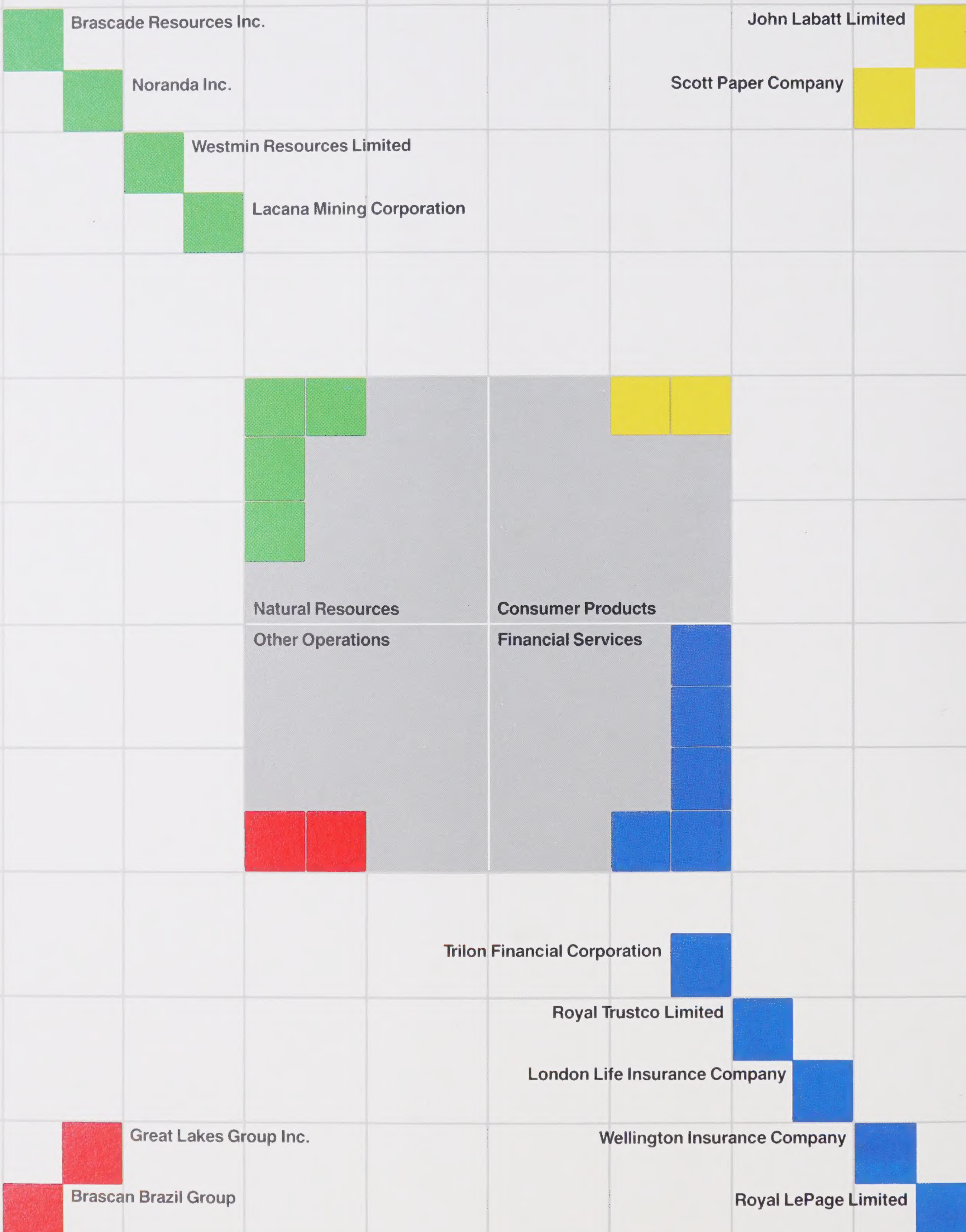
Brascan Brazil Group 50% to 100%
Natural resources, real estate and financial services

Financial Highlights

millions	**1984**	1983
Net income	**$ 105**	$ 97
Dividends paid	**79**	69
Shareholders' equity	**1,395**	1,260
Total assets	**3,641**	3,285
Per common share		
Net income	**$ 2.67**	$ 2.60
Dividends paid	**1.60**	1.60
Shareholders' equity	**35.10**	34.92
Common share statistics		
Market prices		
High	**$ 42¼**	$ 40⅛
Low	**28¾**	18⅞
Year end	**30**	38⅝
Average shares outstanding – millions	**27.0**	26.5
Registered shareholders	**24,971**	25,879

Contents

Brascan
LIMITED



Brascan's Business Principles

☐ Ownership Levels

Brascan limits its shareholdings in its principal operating companies to approximately 50% in spite of traditional investment logic that all common shares of quality companies should be acquired. This self-imposed limit reflects Brascan's commitment to operate through widely held public companies.

☐ Public Participation

Brascan believes that important financial and management benefits are derived from operating through separately managed, widely held public companies in which:

- all investors are provided with an opportunity to participate as shareholders;
- each company has the benefit of independent board members and autonomous management;
- conflicts of interest can be responsibly dealt with through independent directors acting on board committees, including a majority on the key committees;
- managements are subject to shareholder pressures to become industry leaders and low-cost producers in order to compete successfully and thereby create new employment opportunities;
- managements can derive the major portion of their rewards in a manner consistent with the best interests of all shareholders, by acquiring important equity interests in their companies rather than being compensated for special performance through traditional cash remuneration programs.

☐ Cumulative Voting

Brascan believes in the principle of cumulative voting for the election of directors to ensure proportionate shareholder representation and, in the absence of cumulative voting, supports the appointment of independent nominees representing minority shareholders.

☐ Shareholder Representation

Brascan believes the board should be comprised of directors representing substantial shareholders, independent directors representing the widely held minority shareholdings, and senior officers representing management. This combination ensures a healthy exchange in board discussions, which leads to objective, well-balanced discussions and decision making.

☐ Management Accountability

Brascan believes the presence of one or more substantial shareholders makes senior managements more accountable to all the shareholders as owners, and is always beneficial because their fundamental interests are the same, that is, to nurture the ongoing good reputation of the corporation so that it achieves continued growth and profitability.

☐ Board Consensus

Brascan believes that participation in its principal operating companies should be confined to the board level where it endeavours to seek concensus on all major matters. Brascan expects management to be self-sufficient with the requisite level of expertise and confidence to operate the business.

☐ Directors' Role

Brascan believes its principal operating companies should attract and retain directors willing and able to make an effective contribution including especially:

- participating in all major strategic initiatives to ensure the company's direction and performance is in accord with shareholder objectives;
- contributing to succession planning, including selection of the most senior corporate officers;
- assessing management's performance against realistic business plans and industry standards, and fairly rewarding special performance;
- requiring that the board and shareholders be provided with quality information on a timely basis;
- safeguarding the shareholders' equity interests, including the issue of treasury shares, the declaration of dividends and the optimum utilization of common equity.

☐ Shareholder Returns

Brascan's operating emphasis is on total return comprising increases in underlying asset values as well as reported earnings. Brascan also believes in a strong dividend policy for the benefit of all shareholders and to enhance access to public capital markets at all times.

☐ Shareholder Equity

Brascan values its common equity highly and attempts to achieve its financial objectives with minimum dilution in the value of its common equity. Furthermore, should it be appropriate to issue common equity at less than satisfactory values, Brascan is committed to giving all shareholders an opportunity to subscribe for shares on a rights offering basis.

☐ Corporate Responsibility

Brascan believes its corporate responsibility encompasses not only its financial objectives but also a contribution to the quality of life in the communities in which it operates directly and through its principal operating companies. Thus, Brascan plays an active role in the communities where it carries on business through its corporate giving and the dedication of the personal time and resources of its people to worthwhile community projects at both the local and national levels.

President's Report

Brascan's net income for the year increased to $105 million compared to $97 million in 1983. After providing for preferred share dividends, net income per share was $2.67 compared to $2.60 in 1983.

During the year considerable progress was made in achieving the company's long range objective of building a stable earnings base in the consumer products and financial services sectors. The combined earnings contribution from these sectors increased by 28% to $106 million which followed an increase of 43% in 1983.

Despite significant improvements in the economy, the natural resources sector was again disappointing and continued at a low point in its cycle. As a result, 1984 earnings were negatively impacted by $34 million, compared to a loss of $28 million in 1983.

With the progress made in the consumer products and financial services sectors, the overall strength of the company continued to improve. Nevertheless, Brascan's earnings will reflect the company's true potential only when the natural resources cycle turns. In the interim Brascan will continue to emphasize and increase the stable base of earnings from the consumer products and financial services sectors to offset the cyclical earnings from the natural resources sector.

Natural Resources

Brascade reported a loss of $23 million in 1984 compared to a loss of $12 million in 1983. In anticipation of the expected turn-around in the natural resources cycle, Brascade purchased an additional 8.2 million common shares of Noranda thereby increasing its interest to 46%. These shares were financed largely by the issue of Brascade preferred shares.

The decline in most commodity prices in the second half of the year more than eliminated earnings gains made by Noranda in the first and second quarters. As a result, Noranda recorded a small loss in 1984 compared with a $25 million loss in 1983. Productivity improvements continue to be made in all major areas and the Hemlo Golden Giant mine proceeded on schedule with the first gold bullion to be poured in the second quarter of 1985.

Westmin's earnings were adversely affected by a strike at its Vancouver Island mines, resulting in earnings of $34 million in 1984 compared to $40 million in 1983. During the year, Westmin agreed to acquire a portion of the Canadian producing assets of Sundance Oil Co. for $130 million thereby substantially increasing its oil and gas production capacity.

Consumer Products

Labatt, Brascan's major operating company in the Canadian consumer products sector, reported earnings of $72 million compared with $79 million in 1983. Earnings would have been a record for the sixth consecutive year but were impacted by a $20 million writedown of compact beer bottles which were replaced by Labatt's innovative twist top bottles. Omstead Foods Limited was acquired during the year to further expand Labatt's product lines. In addition agreement was reached to acquire the food ingredient division of Henkel Corporation.

Scott's earnings increased to US$187 million, a 51% gain over 1983 which in turn was a 66% increase over 1982. The strong earnings improvement in 1984 reflects the buoyant market for coated papers and continued progress in implementing the company's five year cost efficiency program.

Financial Services

Brascan's major emphasis in 1984 was on the development of its financial services activities through Trilon. Trilon's earnings increased to $75 million from $38 million in 1983 reflecting the increased contribution from its operating subsidiaries and corporate financing activities. Trilon's equity base was increased by $150 million with the public issue of long term preferred shares. The company also made substantial progress in co-ordinating the activities of its operating subsidiaries.

Royal Trust's earnings increased to $85 million, a 31% increase over 1983 which in turn was a 48% increase over 1982. During the year Royal Trust reorganized its real estate brokerage and advisory operations through a combination with A.E. LePage to form Royal LePage Limited, Canada's

largest real estate brokerage company. Royal Trust also increased its equity and borrowing base by issuing $150 million of long term preferred shares, $150 million of innovative money market preferred shares and $150 million of 99 year debentures.

London Life reported record shareholder earnings, premium income and insurance in force for the seventh consecutive year. Shareholder earnings increased to $35 million from $30 million in 1983. The higher premium income and insurance in force reflects the successful introduction of a number of new products. Emphasis also continued on controlling administrative costs and increasing productivity.

Trilon completed the acquisition of Fireman's Fund Insurance Company of Canada, an important property and casualty insurer. The company, recently renamed Wellington Insurance Company, provides further product diversification and a major opportunity to expand the Trilon group's customer base.

Other Operations

Great Lakes Group's earnings increased to $34 million, a 48% increase over 1983 which in turn was a 92% increase over 1982. During the year Great Lakes completed a major corporate restructuring which increased its equity base to $400 million thereby enabling it to substantially expand its selected financial and investment activities.

Brascan Brazil reported earnings of $21 million, an increase of 100% over 1983. These results reflect Brascan Brazil's balanced business activities which include natural resources, real estate and financial services.

Directors

J. Peter Grace and James F. Grandy have agreed to serve as honorary directors, following their retirement from the board at the forthcoming annual meeting. As long standing directors, their many years of advice and counsel are deeply appreciated. We are pleased that Jill K. Conway, President of Smith College in Massachusetts, and Edwin A. Goodman, a senior Canadian businessman, have agreed to stand for election to the board.

Progress and Outlook

In addition to strengthening Brascan's financial base through the issue of $100 million of long term preferred shares, progress was made in building the stable base of earnings from the consumer products and financial services sectors.

The stable portion of the earnings base in combination with the company's unique financial structure enables Brascan to avoid issuing its common shares at current price levels. Should the natural resources sector fail to recover during this economic cycle, making it appropriate to consider a common equity issue at less than satisfactory values, Brascan is committed to providing all shareholders with an opportunity to subscribe for shares through a rights offering.

Brascan's directors, officers and staff are dedicated to increasing earnings and dividends and improving underlying asset values for the benefit of all shareholders. While unfavourable metal and other commodity prices continue to adversely affect Brascan's reported results, we are confident that progress will continue to be made in 1985 toward achieving our long range goals.

On behalf of the Board,

T Eyton

J. Trevor Eyton
President and
Chief Executive Officer

March 5, 1985

Natural Resources Operations

Brascade Resources Inc.: 70%

Brascan's involvement in the natural resources sector is through Brascade which has a 46% interest in Noranda and a 63% interest in Westmin which in turn has a 28% interest in Lacana. Brascade plans to acquire other natural resources operations to complement its existing holdings.

Summarized Financial Information

millions	**1984**	1983
Total assets	**$2,630**	$2,388
Shareholders' equity	**1,895**	1,784
Revenue	**176**	186
Net loss	**23**	12
Cash flow from operations	**72**	71
Loss per share	**1.16**	0.77

Brascade reported a loss of $23 million in 1984 compared to a loss of $12 million in 1983. During the year Brascade increased its interest in Noranda to 46% by electing to receive two quarterly dividends in common shares and by acquiring 7.6 million common shares of Noranda in return for 4.3 million preferred shares of Brascade.

In 1984 real gross national product of the OECD countries increased about 4.75% with growth in the United States particularly buoyant at 6.9%. Despite this satisfactory performance, the strength of the US dollar in which the prices of most commodities are denominated, coupled with excess supply, caused many commodity prices to remain at depressed levels.

Among base metals the price of zinc was the most encouraging with an average gain of 17%. The average price of lead also improved during the year as a result of auto industry demand and strike-induced supply constraints. The price of copper was lower because of excess supply despite satisfactory growth in consumption.

Aluminum prices declined in 1984 reflecting substantially increased output. Molybdenum prices remained weak due to excess supply. Canadian exports of potash increased by 26% in 1984. Precious metal prices weakened throughout the year in response to high real interest rates, moderate inflation and the value of the US dollar.

The combined forestry interests of Scott and the Noranda Group represent one of the largest private sector holdings of timberland in North America.

United States newsprint consumption increased by 8% during 1984 in response to strong demand for advertising space. Despite a lockout in British Columbia during the early part of the year, the Canadian newsprint industry achieved a 92% operating rate for the year. While housing starts in the United States at 1.8 million were the best in the past five years, lumber prices were generally unsatisfactory because of oversupply.

Demand for coated papers was particularly strong in 1984 and higher operating rates resulted in improved prices. North American paperboard operations enjoyed improved operating rates and higher prices in response to strong demand for packaging. While the price of pulp rose sharply during the first half of the year, rising inventory levels caused price declines in the latter part of the year.

Canadian gas production in 1984 increased by approximately 8% as a result of improved exports to the United States and higher Canadian consumption. Canadian oil production increased by approximately 6%. In 1984 Canadian gas exporters were allowed to negotiate market related export prices which should allow Canada to recapture market share in the United States.

The continuation of the recovery into 1985 on a broad international basis suggests better conditions generally for commodities, a situation which would be further improved by a correction in the value of the US dollar. The US dollar has increased 80% against other world currencies on a trade-weighted basis since early 1980. As a result, while copper prices are at depressed levels in US dollar terms, the world's major producer received record domestic currency prices. Similarly, the world's major producer of gold enjoys record domestic currency prices, while gold in US dollars has declined 65% from its peak 1980 price.

The revenues of North American resource companies are at depressed levels and these companies have virtually exhausted the steps available to them to further reduce unit costs. Therefore, if the expected correction in the US dollar fails to occur, it may well be necessary for Canada, with its resource based economy, to take positive action to bring its currency into line with its major competitors in order to avoid lasting structural damage to the Canadian economy.

Noranda Inc.: 46%

Noranda is one of the world's leading natural resources companies with significant operations in the metals and minerals, oil and gas, forest products and manufacturing sectors.

Summarized Financial Information

millions	1984	1983
Total assets	**$6,306**	$5,940
Shareholders' equity	**2,604**	2,644
Revenue	**3,400**	3,106
Net loss	**4**	25
Cash flow from operations	**232**	218
Loss per share	**0.32**	0.50

Noranda recorded a $4 million loss compared with a loss of $25 million in 1983. While most divisions reported comparable or increased profits before borrowing costs, the improved earnings contribution from the forest products sector was particularly encouraging.

Metals and Minerals

Metals and minerals operations reported earnings of $59 million, compared to $64 million in 1983. This result was largely attributable to the higher price of zinc, of which Noranda is the world's largest mine producer.

Substantial progress was achieved at the Hemlo Golden Giant mine where a 23-million-ton orebody grading 0.29 ounces of gold per ton is being readied for initial production in the second quarter of 1985. As the mine is expected to be one of the world's lowest cost gold producers, it will provide satisfactory profitability despite recent gold prices. Another important gold project of the Noranda group is Placer's Kidston gold mine in Australia which commenced operations in the first quarter of 1985. Noranda's new Hopewell premium grade phosphate rock mine in Florida commenced production in early 1985, which will complement Noranda's other fertilizer activities.

Oil and Gas

Canadian Hunter contributed earnings of $7 million compared to $11 million in 1983.

Hunter's gas production decreased slightly as a result of warmer weather. While oil and gas liquids production is still relatively small, it more than doubled following the commencement of operations at the low gravity oil pilot plant at Primrose, Alberta. The company's plans include significant increases in low gravity oil production as Canadian Hunter's extensive land holdings are developed. The company also expects to complete two gas liquids extraction plants during 1985. Noranda's share of proven and probable reserves before royalties at year end was 1,385.8 bcf of gas and 94.4 million barrels of oil and condensate.

Forest Products

Forest products operations recorded a profit of $28 million during the year compared to $4 million in 1983 despite a lockout in the British Columbia pulp and paper industry in the early part of the year. This improvement reflects the benefit of cost reduction programs, improved operating rates and higher prices for most products. James Maclaren Industries is installing a new newsprint machine at an estimated cost of $117 million. Fraser's modernized pulp mill continued to operate at improved levels of capacity throughout 1984. Northwood Pulp and Timber embarked on a modernization program at its sawmill in Houston, British Columbia and MacMillan Bloedel's new saw mill at Chemainus, British Columbia, was close to completion at year end.

Manufacturing

Manufacturing operations reported earnings of $19 million compared to $15 million in 1983 with much of the improvement attributable to Canada Wire and Norandal. Canada Wire benefitted from higher operating rates and lower raw material costs while Norandal experienced favourable raw material costs and increased productivity. Lower aluminum prices adversely effected profitability at the aluminum smelter. During the year Noranda acquired a 100,000 tons per annum aluminum sheet casting and rolling mill in Scottsboro, Alabama which provides further integration to Noranda's aluminum operations.

Corporate

With the completion of several major capital expenditure projects during the year, Noranda's level of capital expenditures in 1985 should be considerably reduced from the $1.8 billion invested over the past three years. The benefits of these capital investment programs together with the ongoing cost reduction programs will contribute to earnings in 1985. However, a satisfactory level of earnings will be achieved only when a correction in the comparative value of the US dollar takes place.

Noranda's Golden Giant gold mine at Hemlo in Northern Ontario upon completion in 1985 will be one of the world's low cost producers.

Westmin Resources Limited: 63%

Westmin is a natural resources exploration and production company with interests in oil and gas, base and precious metals and coal properties. Westmin holds a 28% interest in Lacana Mining Corporation which is engaged in the exploration and mining of precious metals, as well as oil and gas production.

Summarized Financial Information

millions	**1984**	1983
Total assets	**$672**	$547
Shareholders' equity	**388**	376
Revenue	**133**	129
Net income	**34**	40
Cash flow from operations	**67**	70
Earnings per share	**47**	66

Westmin's diversified natural resources base generated net income of $34 million compared with $40 million in 1983. Westmin's record of eight years of continuous earnings growth was interrupted in 1984 mainly as a result of a lengthy strike at its Vancouver Island mines.

Oil and Gas

Operating profit from oil and gas increased to $51 million from $46 million in 1983. Oil production increased by 33% to 1.6 million barrels as a result of higher output of low gravity oil while Westmin's gas production increased slightly to 16.3 bcf.

Gross proven and probable oil and natural gas liquids reserves excluding those of Sundance were 90.1 million barrels at the end of 1984 while proven and probable gas reserves were 496 bcf. Westmin's low gravity oil enhanced recovery program produced one million barrels, representing 57% of total oil production. Almost all of Westmin's low gravity oil receives world prices and is produced from freehold lands exempt from Crown royalties.

In September, Westmin entered into an agreement to purchase $130 million of producing oil and gas assets and exploration land in Alberta from Sundance Oil Co. effective January, 1985. Production from these properties should increase Westmin's oil and gas sales by about 50%.

The acquisition of Sundance's oil and gas properties will increase Westmin's petroleum production by almost 50% during 1985.

Mining

An operating loss from metal mining of $3 million was recorded compared to a profit of $7 million in 1983. This loss was primarily the result of the lengthy strike as well as lower precious metal prices.

Despite the strike, substantial progress was achieved in preparing the new H-W mine for production in the second quarter of 1985. This new mine will triple existing milling capacity and promises to be among the world's lower cost producers.

At the Silbak Premier and the Big Missouri precious metal properties near Stewart, British Columbia, substantial increases in reserves were established. The exploration program at Westmin's Blue Moon base and precious metals deposit in California also resulted in a material increase in reserves. During the year, Lacana brought three new gold mines into production in Nevada.

Coal and Industrial Minerals

Operating profit from coal and industrial minerals increased to $5 million in 1984 compared to $4 million in 1983. Westmin continued to supply coal to Alberta's major power stations under escalating take-or-pay production royalty contracts.

The recoverable thermal coal reserves on Westmin's freehold land in Western Canada approximate 400 million tons. In addition, Westmin has priority rights on 210,000 acres of Crown land in Alberta overlying some four billion tons of coal in place.

Corporate

At year end Westmin's working capital was $113 million represented mainly by cash and short term investments. Substantially all of the company's debt of $140 million was of a project nature without recourse to Westmin's other assets.

The new market oriented gas prices and the Sundance acquisition will result in higher gas sales volumes during 1985 while the continuing low gravity oil program and the newly acquired assets will increase oil production. Westmin's new H-W mine on Vancouver Island will triple present ore production volumes.

Consumer Products Operations

Brascan's consumer products operations are in the non-durable sector. This area was selected by Brascan because its earnings and cash flows are relatively stable and balance the more cyclical earnings associated with the natural resources sector. The following table shows the beneficial interests of Brascan shareholders in the production capacities of Labatt and Scott expressed in terms of 100 Brascan common shares.

Annual Production Capacity	Estimated beneficial interest per 100 Brascan Shares
Beer – gallons	300
Milk – gallons	400
Wine – gallons	50
Fruit juice – gallons	25
Flour – lbs.	2,100
Starch – lbs.	375
Gluten – lbs	150
Corn sweeteners – lbs.	500
Tissue paper – lbs.	3,000
Printing and publishing papers – lbs.	1,600

The stability of the consumer non-durable sector stems from the staple nature of most of these products which are consumed in similar quantities during good or bad times. In economic terms the demand for these products can be described as relatively inelastic. While the consumer may switch to different price ranges for the same product category in response to economic conditions, most companies offer several brands in different price ranges.

Canadian beer consumption increased marginally during 1984 despite a cooler summer. Notwithstanding the relatively low consumption growth, the year was characterized by material changes in market shares amongst the major Canadian brewers. These market share changes arose mainly from packaging modifications as well as new product introductions. Packaging modifications included various kinds of bottle caps, changes in bottle sizes, shape and colour, mixing different brands in large packs as well as increased usage of cans. New products marketed included low alcohol beers and European brands. Canadian beers continued to gain market share in the United States despite strong competition.

The volume of both domestic and imported wine sales in Canada continued to increase in 1984. However, domestic wines continued to be adversely affected by competition from foreign wines on a price basis stemming from the strong Canadian dollar and a large wine surplus in the European Economic Community. Conditions in the United States wine market were also difficult for domestic producers due to competition from European imports.

Industrial milk was in short supply during 1984 causing many dairies to operate at low levels of capacity or to cease production during the winter months. While per capita consumption of fluid milk continued to be relatively unchanged, consumption of cheese and yogurt showed encouraging growth. Exports of premium aged Canadian cheese continued to be favourably received in the United Kingdom and the United States.

Low world sugar prices stemming from high inventories continued to depress the price of high fructose corn syrup. Current United States capacity of 55% fructose corn syrup was insufficient to meet demand stemming from the decision of United States soft drink producers to use more corn syrup in their products. This in turn has allowed the Canadian industry to increase export sales.

Favourable conditions continued to prevail in the starch industry mainly in response to improved demand particularly from the paper and paperboard industries. Gluten prices improved during the year as a result of increased demand at the domestic and export levels. Both domestic and export sales of flour were relatively flat during 1984.

United States tissue consumption rose in 1984 although tissue sales price increases were generally modest. Average industry operating rates improved during 1984. Demand for coated printing and publishing papers was very strong during the year in the United States and the industry operated close to capacity despite increased imports. Meaningful price increases were obtained and similar circumstances are expected to prevail in 1985.

More than 100 million families use Labatt and Scott household name products.

OMSTEAD
TEMPURA BATTERED
170g 6oz
ONION RINGS
FAST FROZEN • JUST HEAT AND SERVE
OMSTEAD
Leo D'or
OMSTEAD
Leo D'or
BRAND
PRODUCT OF CANADA
frozen tempura battered ONION RINGS
170g 6oz
OMSTEAD
OMSTEAD
OMSTEAD

John Labatt Limited: 37%

Labatt is a broadly based consumer products company with interests in brewing, packaged foods, agri products and the entertainment industry.

Summarized Financial Information

millions	October 31 1984	1983
Total assets	**$1,328**	$1,111
Shareholders' equity	**494**	424
Total revenue	**2,685**	2,311
Net income	**72**	79
Cash flow from operations	**138**	135
Earnings per share	**2.40**	2.87

For the twelve month period ended October 31, 1984, gross sales increased by 16% to $2.7 billion. Net income before the obsolete bottle inventory writedown, in April, 1984 grew by 16% to $92 million, a record for the sixth consecutive year. After the bottle writeoff earnings were $72 million.

Brewing Group

The earnings of the Brewing Group increased over the past year before the writeoff of obsolete bottle inventories. Higher sales volumes and operating efficiencies more than offset higher packaging costs. The launching of Labatt's major brands in a tall twist top bottle was a noteworthy success and contributed to a material gain in market share. Exports to the United States increased during 1984 and toward the end of the year Labatt also began to export beer to the Japanese market. During 1984 Labatt's brewing capital expenditures emphasized productivity improvements and the construction of two aluminum can production lines.

Packaged Food

Packaged Food Group earnings were ahead of the previous year. Earnings at Catelli, Chef Francisco and Chateau-Gai increased while reduced losses were recorded at LaMont despite the continuation of depressed conditions in the United States wine market. The introduction of Chateau-Gai's Canada Cooler brand, a citrus based wine beverage, was a noteworthy success. Holiday Juice, which was recently acquired, also contributed to the improved earnings of the group. In September Labatt acquired Omstead Foods Limited of Wheatley, Ontario to complement Chef Francisco's frozen food operations in the United States.

Agri Products

The earnings of the Agri Products Group were substantially ahead of last year due to strong performances by both Ogilvie and Ault Foods. Ogilvie achieved higher sales volumes while sales and earnings of Ault reflected the favourable impact of recent acquisitions. The continuing programs to rationalize production facilities are expected to contribute additional profits to Ault in the current year. Starch and gluten operations recorded increased earnings and subsequent to year end, Ogilvie acquired the food ingredients division of Henkel Corporation, a major United States producer of starch and gluten.

Other Operations

In September Labatt's wholly owned specialty television channel, The Sports Network, was inaugurated. This channel is made available for viewing on a 24-hour basis by cable companies on a fee basis but unlike pay television, The Sports Network is permitted to carry advertising. Labatt's 30% owned corn sweetener operation, Casco Company, continued to operate at a loss as a result of continuing low sugar prices. McGavin's operating earnings increased despite strong competition from other Canadian and United States bakeries and excess industry capacity. Allelix, a 30% owned joint venture with the Canada Development Corporation and the Government of Ontario, formed to develop commercially viable biotechnologically based products and processes, generated its first revenues from research contracts and technology licensing fees.

Corporate

Labatt's corporate development program continues to emphasize reduction of unit costs, innovative packaging and marketing and selected acquisitions. Labatt's cash and short term investments of $131 million at year end together with its unused borrowing capacity provide substantial financial resources for the continuation of this strategy.

Labatt, Canada's leading brewer, flour miller, and dairy processor, added to its packaged food products with the acquisition of Omstead Foods in 1984.

Scott Paper Company: 25%

Scott is the world's leading producer of sanitary paper products and a major manufacturer of printing and publishing papers. Scott operates in 21 countries and owns more than three million acres of woodlands in the United States, Canada and Brazil.

Summarized Financial Information

millions	**1984**	1983
Total assets	**US$3,322**	US$2,846
Shareholders' equity	**1,572**	1,481
Sales	**2,847**	2,708
Net income	**187**	124
Cash flow from operations	**291**	271
Earnings per share	**3.83**	2.58

Net income increased to US$187 million, a 51% gain over 1983 which in turn was a 66% increase over 1982. The strong earnings growth achieved in 1984 was mainly due to the excellent performance of S.D. Warren's coated paper operations.

Sanitary Paper Products

The sanitary paper operations reported record operating profits of US$176 million compared to US$158 million in 1983. These results reflect higher operating rates, improved prices and cost reduction and productivity programs implemented under the Scott strategic plan over the last four years. During 1984 Scott commenced construction of a new US$115 million energy generating facility at its Chester, Pennsylvania. paper mill. Construction also continued on Scott's major energy modernization program at Mobile, Alabama. In September Scott acquired the assets of Sani-Fresh International, Inc., a San Antonio, Texas based manufacturer of personal cleaning products and dispensing systems for commercial and industrial markets.

Printing and Publishing Papers

The operating profit of the S.D. Warren Division rose 176% to US$159 million from US$58 million in 1983. Increased sales volumes, lower unit costs and higher prices contributed to the satisfactory earnings growth. Major cost savings were achieved through the dedication of paper machines to the production of specific grades of paper.

Scott's wood supply is a vital resource for an additional state of the art paper machine extending over two football fields in length at Skowhegan, Maine.

The new 200,000 tons per annum coated paper machine at Skowhegan, Maine operated at higher production levels during the year and production was approaching design capacity by year end. Subsequent to year end, Scott announced plans to complete an additional 215,000 tons per year advanced technology paper machine by the end of 1986. This machine will also be located at Skowhegan and is expected to cost US$220 million.

Forest Products and Minerals

Operating profits from Scott's forest products and minerals operations were US$25 million compared with US$6 million in 1983. The operations benefitted from improved pulp prices partially offset by both lower demand and prices for export logs and lower lumber prices.

International Operations

Scott's share of the earnings of the company's equity accounted international affiliates was US$15 million in 1984 compared with US$24 million in the previous year. Despite the strong US dollar, operations in Australia and Canada contributed satisfactory earnings to Scott. Although profitable, the United Kingdom operations were adversely affected by the cost of new product introductions, a modernization program and a strike at the largest plant. Scott's Mexican affiliate, while generating improved earnings, continued to be affected by high interest costs and inflation. Earnings of the consolidated international subsidiaries increased due mainly to improved performances by Scott's Spanish and Italian subsidiaries. Overall, Scott's international operations stand to benefit from any significant decline in the value of the US dollar.

Corporate

Despite its large capital expenditure program, Scott ended the year with a strong balance sheet including cash, short term investments and construction funds of US$516 million. Continuing strong demand for coated paper and the ongoing benefits from cost reductions in the sanitary paper products operations suggest a continuation of favourable results during 1985.

Trilon Financial Corporation
Insurance
Trust
Real Estate Brokerage
Direct Financial
Life
Personal Financial Services
Residential
Money Market and Bond Trading
Health
Corporate Financial Services
Commercial
Loans and Invest-ments
Annuities
Mortgages
Property Manage-ment
Home owner
Pensions
Loans and Invest-ments
Capital Manage-ment
Auto mobile
Mortgages
Funds Manage-ment
Commercial Property
Loans and Invest-ments
Business Insurance

Financial Services Operations

Trilon Financial Corporation: 39%

Brascan has a broad exposure to the financial services sector through Trilon which has important interests through its operating affiliates in the insurance and trust industries. Trilon also provides other direct financial services to complement the activities of its principal operating affiliates.

Summarized Financial Information

millions	1984	1983
Total assets under administration	**$55,290**	$47,388
Total corporate assets	**12,218**	10,149
Shareholders' equity	**697**	504
Total income	**1,727**	1,350
Net income	**75**	38
Earnings per share	**3.38**	2.60

Net income for the year increased to $75 million compared with $38 million in 1983. After providing for preferred share dividends, net income was $3.38 per share, an increase of 30% from $2.60 in 1983. On a fully diluted basis, net income was $3.01 per share, an increase of 18% from $2.55 in 1983.

Trilon made further progress in achieving its corporate goals in 1984. In March, Trilon increased its beneficial interest in Royal Trust to 50%. In June, $150 million of long term preferred shares were issued. In October, Trilon reached an agreement to acquire Fireman's Fund Insurance Company of Canada, which was renamed Wellington Insurance Company. In November, Trilon assisted Royal Trust in merging its real estate brokerage operations with those of A.E. LePage. In December, Trilon increased its authorized level of commercial paper to $250 million.

Diversification

The purchase consideration for the shares of Wellington Insurance Company comprised $143.5 million of preferred shares of a subsidiary and warrants to purchase 3.0 million Class A shares of Trilon. Wellington provides Trilon with additional high quality products and a strong new distribution network in the property and casualty insurance field.

The merger of Royal Trust's real estate brokerage operations with those of A.E. LePage provides the Trilon group with a broad range of complementary real estate services. Royal LePage has approximately 9,000 employees, 321 office locations and $350 million in gross revenues.

Subsequent to year end Trilon acquired a 51% interest in CVL Inc. one of Canada's largest vehicle leasing and fleet management companies.

Direct Financial Activities

During 1984, Trilon continued to expand its direct financial activities which generated operating earnings of $10 million compared to $2 million in 1983. These activities include money market operations, commercial lending, security transactions, bond trading, and interest rate swaps.

Trilon's commercial paper was well received by the market throughout 1984 and the company's approved commercial paper limit was increased to $250 million. This additional source of funds will be used in 1985 to improve the spreads on the company's loan and investment portfolio.

Legislative Review

The rapid changes in the financial services sector produced by consumer demand and advances in technology has created a pressing need for the trust and insurance industries to be given broader powers to compete. Trilon has been an active participant in the review process and is encouraged by the general recognition of the constructive role played by Trilon and other diversified financial services companies. Legislative changes should further the ability of these companies to respond to consumer demand for wider product choices and better service.

Corporate

Trilon was formed in response to consumer demand for improved product selection and financial services at a reasonable cost. Trilon's unique group of companies offers the professionalism, size and resources to meet these changing consumer demands.

Trilon's emphasis is on the continued growth of each of its operating affiliates, while assisting them in working together for their mutual benefit. Trilon will continue to review opportunities that complement the group's present blend of financial services.

Trilon is Canada's largest diversified financial services group with $55 billion of assets under administration.

Royal Trustco Limited: 50%

Royal Trust is Canada's leading trust company providing a broad range of personal and corporate financial and related services throughout Canada and internationally.

Summarized Financial Information

millions	**1984**	1983
Total assets under administration	**$48,800**	$41,981
Total corporate assets	**11,157**	9,634
Shareholders' equity	**777**	432
Total revenue	**1,467**	1,317
Net income	**85**	65
Earnings per share	**1.60**	1.37

Total revenues increased 11% to nearly $1.5 billion, net income increased by 31% to a record $85 million and earnings per share increased to $1.60 from $1.37 in 1983. The substantial improvement in earnings during the year resulted from a 19% increase in net interest and investment income and tightly controlled non-interest expenses.

Total assets under administration reached $49 billion compared to $42 billion last year. Total corporate assets of $11.2 billion increased 16% from 1983.

Personal Financial Services

In 1984, Royal Trust responded to evolving challenges by introducing innovative products which have had positive customer response. New product development will continue to receive major commitment and emphasis. Estate and trust assets under administration increased 25% over 1983, while agency income and the number of self-directed registered retirement savings plans both rose by 19%.

Total 1984 Royal Trust mortgage approvals rose by 11% while the total market dropped by 16% and as a result market share increased by almost one third. A revitalized marketing strategy, new products and innovations, provided customers with a very attractive mortgage package. Royal Trust currently administers a mortgage portfolio of approximately $7 billion.

Corporate Financial Services

Despite severe price competition and unsettled markets, corporate trust service fees increased as the result of the acquisition of several major accounts. Pension trust fees also showed significant increases as a result of a successful system upgrading and new product introductions.

Economic and capital market uncertainty necessitated a highly diversified asset mix in the clients' investment portfolios which exceed $4 billion. This mix provided profitable returns for clients during the year.

In the corporate lending and treasury areas, corporate assets, exclusive of commercial mortgages in the guaranteed account, increased by approximately $330 million during 1984 as a result of expanded corporate lending, equipment leasing and investments in corporate securities.

Other Operations

Royal Trust has established an important niche in the European marketplace. International operations made a positive contribution to earnings in virtually all areas despite intense competition and a volatile financial climate. Through prudent lending policies and conservative management, Royal Trust has remained immune to the widespread difficulties experienced by others from international loan losses.

The merger of Royal Trust's residential real estate brokerage operations with the residential and commercial brokerage operations of A.E. LePage Ltd. was consummated in December 1984. The merger produced the largest real estate brokerage operation in Canada with substantial international operations. Royal LePage offers significant advantages to clients through major economies of scale and improved service capabilities.

Corporate

Royal Trust's focus in 1984 was on a number of important areas which will contribute to its future financial success. These included a recognition of the need to further improve standards of service to clients, a reversal of the market share erosion in certain major product lines, increased investment in computer systems development and marketing, a longer term business planning process and the issuance of a prudent mix of equity and long term fixed and floating rate debt in excess of $500 million.

Royal Trust, serving Canadians of all generations, raised $500 million of long term capital in 1984, which will permit it to double its corporate assets without issuing additional common equity.

London Life Insurance Company: 98%

London Life is Canada's leading shareholder-owned life insurance company providing life and health insurance and other savings products. London Life's products are distributed through a 2,500 member sales force to more than one million Canadians and 11,000 businesses.

Summarized Financial Information

millions	1984	1983
Life insurance in force	**$48,613**	$42,848
Total assets	**5,654**	5,093
Policyowners' and shareholders' equity	**560**	532
Premium and investment income	**1,420**	1,247
Shareholders' earnings	**35**	30
Earnings per share	**69.09**	59.57

Premium income and investment income totalled $1.4 billion compared to $1.2 billion in 1983. Earnings per share increased to $69.09 from $59.57 in 1983. Dividends paid to shareholders increased to $21.00 from $15.00 and total assets of $5.7 billion increased by $0.6 billion or 11%.

Sales of individual insurance, annuities and accumulation products were at record levels due to an expansion of the sale forces, increased productivity by the sales staff, and successful sales campaigns during 1984. In addition to the development of new products, London Life continued to expand its computer-assisted distribution system.

Individual Products

London Life's expanded sales force and increased emphasis on sales productivity contributed to $5.2 billion in new life insurance issued, an increase of 14% over the previous year. Individual insurance sales issue premium of $58 million contributed to total sales issue premium of $218 million.

Dividends paid to participating policyowners of $172 million continued London Life's record as the leading payer of policyowner dividends in Canada. This consistently high level of return strongly supports the sales and acceptance of company products.

Group Products

Premium revenue from group products rose to $328 million compared to $296 million. The rate of annual premium on new sales was $64 million. Price competition continued to be strong and the after-effects of the recession are still evident in the low profit growth of customers' businesses.

Development of a major new computer supported administrative system was initiated to enlarge the company's capacity in group sales and generally enhance the competitive advantage of the group operations.

Investments

Investment income continued to grow due to innovative investment strategies, particularly in support of the company's accumulation and payout annuity products. The net earned rate on the total investment portfolio increased to 10.86% from 10.67%.

The Investment Division's asset-liability segmentation program divides the company's products into groups with similar liabilities and enables the company to develop more precise investment strategies and products to meet customers' needs.

The company was aggressive in residential mortgage lending during the year. A number of major investments were made in residential and commercial properties across Canada and equipment lease and asset purchase financing was provided to a variety of industries, in particular the transportation and oil and gas sectors.

Corporate

London Life continues to carefully monitor new legislative initiatives concerning the financial services industry. The company made representations to an Ontario financial services study committee and participated in the federal study of financial institutions, with the expectation that new legislation will be tabled in 1985.

Pending legislative changes broadening the role of insurance companies in the financial services sector, London Life is expanding its sales force and developing new insurance products to meet the changing requirements of the Canadian consumer. The company is also placing special emphasis on increasing productivity of both its sales and administrative organizations.

The "Life Insurance for the Living" sales promotion helped London Life achieve record revenues in 1984.

Wellington Insurance Company: 100%

Wellington Insurance Company is Canada's leading Canadian shareholder-owned property and casualty company providing homeowner and automobile insurance to individuals and a broad range of commercial insurance products to businesses. Wellington's products are distributed nationally through a 1,000 member independent agency force, serving the property and casualty insurance needs of more than 300,000 individuals and 40,000 businesses.

Summarized Financial Information

millions	**1984**	1983
Total corporate assets	**$319**	$294
Shareholders' equity	**101**	98
Net premiums earned	**167**	161
Total revenue	**193**	185
Net income	**3**	15
Earnings per share	**109.00**	545.45

Total revenues increased to $193 million from $185 million. Premium income increased by $6 million to $167 million while investment income increased by $4 million or 17%. Net income decreased from $15 million to $3 million as a result of significant strengthening of reserves and a decision not to realize security gains in 1984. Total assets were $319 million, an 8% increase from 1983.

Underwriting Operations

The profitability of the underwriting operations declined substantially as the company's underwriting loss ratio increased from 74.2% to 85.6% of net premiums earned. This increase in loss ratio reflected a decision to significantly strengthen the reserves for unpaid losses and claims.

The expense ratio of 33.7% of net premiums earned was marginally above the 1983 level of 33.5% and reflects tight control over operating expenses. Wellington has made considerable progress in reducing its expense ratio which stood in excess of 40% four years ago. The company's extensive training programs have contributed to this improvement.

Wellington continued to strengthen its independent brokerage distribution system with the appointment of additional key agents under its partnership pact program. Partnership pact is a tailored arrangement with selected producers in its agency distribution network.

New products such as the estate saver and the business saver aimed at specific market segments were introduced successfully. The estate saver is a high value property program for the affluent personal lines market, while the business saver is aimed at achieving increased volume in the substantial small business market. New product development will continue to receive a high priority in the company's strategic plan.

During the year Wellington's review of its lines of business and products led to the rewriting of certain lines of commercial business on an advantageous basis and the identification of other lines of business which will be de-emphasized.

Investment Operations

Income earned from the investment portfolio, excluding security gains, increased substantially and the total investment portfolio increased by $21 million or 9% to $258 million. Investment activity reflected a strategy of maximizing investment returns taking into account the timing of cash flows during the year. Investment returns provide a significant contribution to Wellington's net income and consequently investment strategy forms a key element of the company's strategic planning process.

Corporate

1984 was a year of major change for Wellington. Following a return to Canadian ownership as a result of its purchase by Trilon, the name of the company was changed to Wellington Insurance Company. The new name reflects the company's origin in 1840 in Wellington County, Southern Ontario.

New initiatives and accountabilities have been established which will enable the company to better service its customers and agents in selected markets and product areas. Wellington is cooperating with other Trilon group companies to improve productivity, systems and computer capability, and cost control programs with a view to continuing to provide quality service to its clients.

Wellington enters 1985 with a strong senior management team and with a focused product marketing and distribution strategy.

Wellington Insurance, established in 1840, became an important part of the Trilon group in 1984.


SOLD
ROYAL LePAGE
961-4444
MLS
MULTIPLE LISTING SERVICE

Royal LePage Limited: 51%

Royal LePage is Canada's leading diversified real estate services organization offering residential and commercial customers the advantage of approximately 9,000 professional sales representatives and other employees in 321 offices across Canada and internationally.

In addition to expertise in the areas of sales and leasing, Royal LePage provides professional real estate services to clients in the areas of research and analysis, commercial development and property appraisal.

Merged Operations

The merger of Royal Trust's residential real estate brokerage operations with the residential and commercial brokerage operations of A.E. LePage Ltd. was consummated in December 1984. The merger of these two operations results in the largest real estate brokerage operation in Canada with a substantial international presence.

Royal LePage offers significant advantages to its clients because of the economies of scale to be achieved from the merger and its association with other Trilon group companies.

On a combined basis the operating results of A.E. LePage and Royal Trust's real estate brokerage operation for the year ended December 31, 1984 were $350 million in gross revenues, slightly ahead of 1983. Gross revenue growth was constrained by the impact of continuing high levels of interest rates.

Residential Operations

Residential operations, which are confined to Canada, provide the majority of gross brokerage commissions and fees. An overall year to year decline in residential performance was due largely to high mortgage rates resulting in a slowdown in activities in the resale housing market.

As part of a five year expansion plan four new branch offices were opened in Ontario and one in Quebec during the year. Expansion plans are being modified to reflect the addition of 133 Royal Trust residential real estate branches. One of the attractive aspects of the merger is the complementary nature of the two residential operations. Planning is now underway to integrate the two operations.

Non-Residential Operations

Non-residential operations, consisting of commercial brokerage activities and fee and specialized management services enjoyed an excellent year with gross brokerage commissions and fees increasing approximately 19%.

Commercial operations are diverse, both geographically and functionally. At year end, there were offices in 10 centres in Canada, 12 in the United States, and other offices in London, Paris and Amsterdam. While brokerage, including commercial and industrial sales and leasing and investment sales, account for the bulk of activity, contributions to revenue are also provided by fee and professional services activities.

Fee and professional services activities include research and analysis in such areas as property use, property investment and development as well as appraisal activities.

During the year, action was taken to promote commercial revenue, profit and market share growth in the longer term. This included the institution of a third generation office leasing computer system in Canada and the opening of several branches in the United States and overseas.

The company's specialized property management and capital management services groups are positioned for growth in 1985. This is due to the increase in ownership of commercial real estate investment by institutional investors and the resulting increased requirement for professional portfolio and building management services.

Corporate

Royal LePage offers its clients real estate computer branch systems providing instant property information within a given market to assist in home purchase decisions. This service is currently offered in 41 offices with an additional 60 offices to come on line in 1985 as part of a coast to coast expansion of this service in Canada.

Royal LePage has a strong professional management team in place and is well positioned to meet the new challenges and opportunities for real estate services.

Royal LePage, Canada's largest real estate broker, was formed in 1984 through the combination of the brokerage operations of Royal Trust and A.E. LePage.

Great Lakes Group Inc.: 49%

Great Lakes Group's business consists of selected financial and investment activities and the generation and distribution of hydro-electric power.

Summarized Financial Information

millions	1984	1983
Total assets	**$800**	$631
Shareholders' equity	**402**	274
Total revenue	**109**	85
Net income	**34**	23
Cash flow from operations	**41**	35
Earnings per share	**1.60**	1.32

Improved performances by both the investment and utility divisions increased earnings to $34 million in 1984 from $23 million in 1983, the fifth consecutive year of earnings increases. The increase in earnings was largely derived from the company's expanded financial and investment activities.

Financial and Investment Activities

Great Lakes' selected financial and investment activities include helping client companies design their financial instruments, formulating arrangements with investment dealers for the distribution of clients' securities and, where appropriate, participating along with other companies in an issue by purchasing securities for their own account. Great Lakes believes that these services result in a more expeditious and cost efficient method for issuers to raise capital and also provide investment dealers greater assurance of successful financings.

Great Lakes brings added value to the underwriting and market-making functions through its ability to assume a longer term view with respect to investment positions, taking into account underlying or prospective values. This contrasts with investment dealers who, because of their limited capital resources, tend to be influenced by temporary market fluctuations when servicing the needs of their issuer clients.

Great Lakes has recognized the need for the securities industry to supplement its capital and encouraged the industry to do so. The securities industry has self-imposed ownership restrictions that limit its access to equity capital. These restrictions have placed constraints on the industry's ability to perform the underwriting and market-making functions which are integral to an efficient capital market and a clear responsibility of those central to the distribution function.

The regulatory authorities are now considering easing the ownership restrictions on investment dealers which will enable them to supplement their equity and thereby increase their ability to act as principals with respect to their underwriting and market-making functions. The proposed changes should enable Canadian investment dealers to compete more effectively in the international capital markets thereby broadening the sources of finance for Canadian corporations and governments.

Power Generation

Great Lakes' hydro-electric operations provide a stable operating base and an assured stream of earnings complementing the company's financial and investment activities. The company continues to explore opportunities to increase its generating capacity through the development of new sites on its river systems and improvements to its existing generating stations.

As a result of improved economic activity in the area served by Great Lakes, revenues increased by 12.0% to $64.1 million. Earnings increased despite a reduction in available water supply during the first nine months in Great Lakes Power's river systems requiring an increase in electricity purchased from Ontario Hydro. Water availability improved during the last quarter. A tight control was maintained over operating costs. Great Lakes Power's new $116 million 52,000-kilowatts generating facility on the St. Mary's river continued to perform satisfactorily. Great Lakes supplies a total of 9,527 customers directly and approximately 28,500 customers indirectly in the City of Sault Ste. Marie.

Corporate

Great Lakes' capital base was strengthened in 1984 through a $113 million common share issue. These funds are being used to expand the company's financial and investment activities. Total assets at year end were $800 million. As additional capital is required to support the group's expanded activities, consideration will be given to a major public equity financing.

Great Lakes Group was restructured during the year in partnership with the Canadian Imperial Bank of Commerce and Merrill Lynch to expand its financial and investment activities.

Brascan Brazil Group: 50% – 100%

The Brascan Brazil Group's major operations are in real estate development, natural resources and financial services.

Equity Interest

millions	**1984**	1983
Real estate development	**$ 75**	$ 69
Natural resources	**33**	26
Consumer and industrial products	**17**	19
Financial services	**17**	9
Other assets less liabilities	**29**	22
Total equity	**$171**	$145

Brascan Brazil is carried in Brascan's financial statements at $62.5 million which reflects only the book equity of the Brazilian companies having registered capital under Brazil's foreign investment legislation. Income from these investments is only recorded when dollar dividends are received in Canada.

Brascan Brazil reported earnings of $21 million compared to $10 million in 1983. Dividends received amounted to $5.1 million compared to $0.8 million in 1983. The improvement in earnings arose from a lower level of currency translation losses and a more satisfactory economic climate in Brazil as a result of strong exports.

Particularly encouraging for the country was Brazil's record foreign trade surplus of over US$13 billion which resulted in an improvement in the foreign debt position and enabled the country to resume dividend and interest payments. Foreign net direct investment in Brazil was an estimated US$1.0 billion in 1984.

Real Estate

During 1984 Brascan Imobiliária (BISA), one of Brazil's largest real estate development companies, completed and sold 315 housing units in Rio de Janeiro and São Paulo. The Rio Sul Shopping Centre, 51% owned by BISA, experienced 11% growth in annual customer traffic under BISA's management. Brascan Brazil's real estate holdings also include approximately 90,000 acres of prime farmland with 21,000 head of cattle.

Brascan Brazil's real estate holdings include extensive cattle ranch lands which provide a hedge against inflation and currency depreciation.

Brascan Brazil's 60% owned Intercontinental Rio Hotel doubled its earnings in 1984 as a result of a higher occupancy rate, the strong US dollar and the recently completed hotel refurbishing program.

Natural Resources

Brascan Brazil's natural resources operations which are carried on through Brascan Recursos Naturais (BRN), a 50% joint venture with British Petroleum Limited, reported satisfactory earnings notwithstanding lower US dollar world tin prices. Mine production of tin increased by 11% to 6.6 million pounds while smelter production increased by 10% to 8.1 million pounds. At year end, BRN's geological reserves were 60,000 tons of contained tin compared to 54,000 tons in 1983. During 1984, BRN's exploration and development expenditures amounted to $8 million. The company is continuing its aggressive exploration program for tin and precious metals on its claims within the Amazon region.

Financial Services

Earnings of the financial services division more than doubled in 1984 establishing the division as an important profit contributor to the Brazilian group's results. Originally formed three years ago in Rio de Janeiro to supplement the financial needs of the Brazilian operating companies, the activities of this division have expanded to include a variety of financial services conducted with institutional, domestic and foreign companies.

In addition to servicing the group's short term financial needs, these operations have been extended to include a broad range of money market activities, leasing operations, underwritings and equity investment participations.

Corporate

Total book equity of Brascan Brazil at year end was $171 million compared with $145 million in 1983. Working capital stood at $85 million of which the cash component was $30 million and net debt was only 29% of equity. Overall corporate strategy continues to involve concentrating operations on those areas which offer protection against inflation and currency devaluation.

Brascan's recent operating emphasis has been on building a stable earnings base from its consumer products and finan- ...vices operations to balance the cyclical results of its ...atural resources activities. As shown below, 42% of Bras- ...n's net corporate assets are dedicated to natural ...sources, and 58% to consumer products, financial serv- ... and other activities.

	Carrying Value	Net Income		
...s	**December 31, 1984**	**1984**	1983	1982
...ral resources	**$ 778**	**$ (34)**	$ (28)	$ (30)
...r products	**763**	**86**	67	43
... l services	**170**	**20**	16	15
	933	**106**	83	58
...ther operations	**160**	**19**	16	11
...porate investments	**1,871**	**91**	71	39
... less financial assets	**476**	**14**	26	21
...holders' equity/net income	**$1,395**	**$105**	$ 97	$ 60

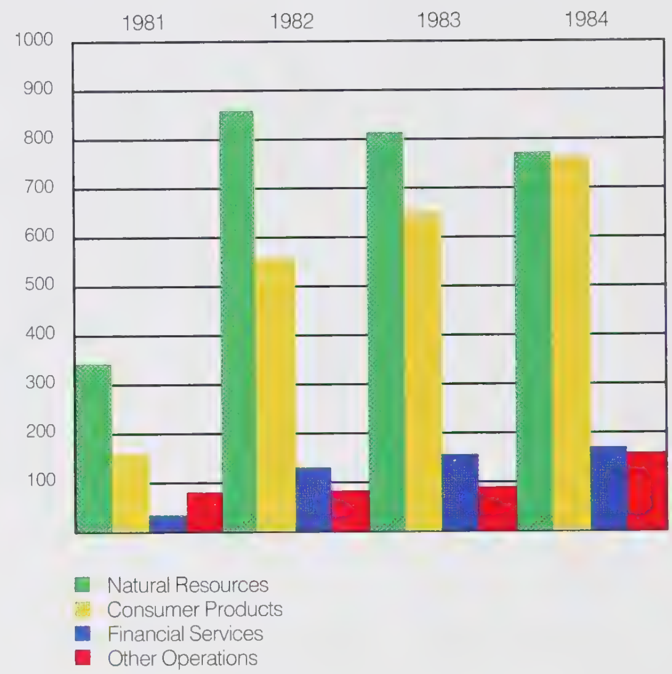
The information provided above is in a form which differs ...n the consolidated financial statements in that the carrying ...es reflect Brascan's common share investments based ...n the equity method of accounting.

The following table illustrates the scope of Brascan's operations by showing the total sales revenues generated by Brascan's principal operating companies and their equity accounted affiliates and Brascan's beneficial interest therein:

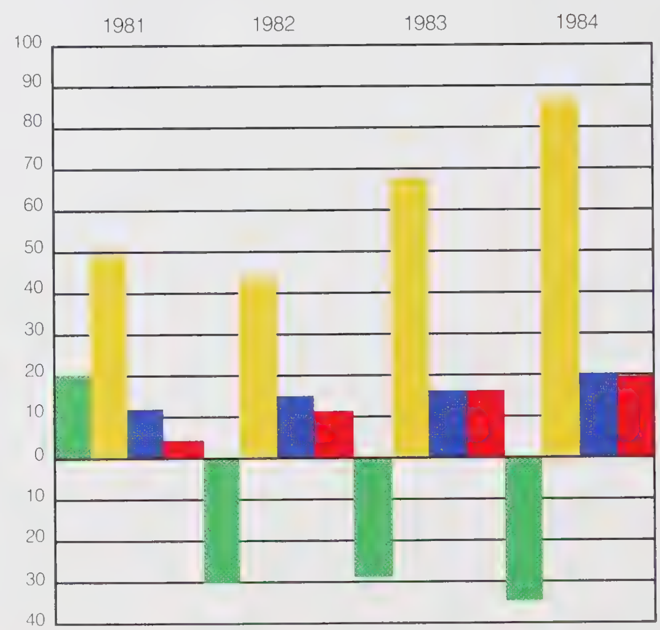
	Revenues	
millions	Total Group	Brascan Interest
Natural resources	$ 6,895	$1,731
Consumer products	7,820	2,077
Financial services	3,130	1,209
Other operations	596	401
Total	$18,441	$5,418

Brascan derives exceptional financial strength and liquidity by operating through widely held public corporations. Each of its operating affiliates is self-sufficient and severable from the group so that it may be dealt with independently from the ...thers. In addition, Brascan maintains substantial undrawn credit facilities so that it is always in a position to select the timing of equity and long-term debt issues. These credit facilities are available to bridge the cash required to achieve its corporate development program and, in addition, to allow Brascan to act expeditiously in taking advantage of special investment opportunities as they arise.

NET ASSETS



NET INCOME



Consolidated Balance Sheet

December 31 millions	note	1984	1983
Assets:			
Cash and other investments		**$ 190.4**	$ 261.6
Loans and accounts receivable	2	**122.7**	137.0
Corporate investments	3	**2,800.2**	2,487.0
Property and equipment	4	**516.2**	388.8
Other assets		**11.0**	10.5
		$3,640.5	$3,284.9
Liabilities:			
Bank indebtedness		**$ 16.7**	$ 15.6
Accounts payable		**52.2**	60.0
Dividends and interest payable		**30.2**	30.5
Term debt	5	**742.0**	732.6
		841.1	838.7
Deferred taxes		**110.2**	95.8
Minority interest		**1,294.2**	1,090.4
Shareholders' equity	6	**1,395.0**	1,260.0
		$3,640.5	$3,284.9

Signed on behalf of the Board:

J. Trevor Eyton, Director

Jack L. Cockwell, Director

Consolidated Statement of Income

Years ended December 31 millions	note	1984	1983
Income before unallocated expenses:			
Natural resources		**$ 37.7**	$ 42.0
Consumer products		**86.1**	66.8
Financial services		**20.0**	15.6
Other operations		**19.1**	15.7
Investment and other		**90.2**	127.9
		253.1	268.0
Unallocated expenses:			
Interest		**74.7**	96.3
Corporate expenses		**5.8**	5.9
Income and resource taxes	7	**19.9**	31.2
Minority interest		**47.5**	38.0
		147.9	171.4
Net income for year		**$105.2**	$ 96.6
Earnings per share after preferred dividends		**$ 2.67**	$ 2.60

Consolidated Statement of Changes in Financial Position

Years ended December 31 millions	1984	1983
Funds provided:		
Operations	**$ 85.8**	$100.3
Shares issued	**99.0**	—
Minority interests	**221.2**	271.1
Reduction in corporate investments	**10.4**	100.6
Reduction in debentures and loans receivable	**20.0**	14.6
Other	**24.9**	(39.8)
Decrease in cash and other investments	**71.2**	107.2
	$532.5	$554.0
Funds used:		
Corporate investments –		
Natural resources	**$187.4**	$ 3.6
Consumer products	**27.9**	57.2
Financial services and other	**7.9**	4.5
Expenditures on property and equipment	**145.1**	68.2
Reduction in term debt	**20.0**	297.9
Dividends –		
Corporate	**79.4**	68.6
Minority interests	**64.8**	54.0
	$532.5	$554.0

Consolidated Statement of Retained Earnings

Years ended December 31 millions	1984	1983
Balance, beginning of year	**$738.8**	$710.8
Net income for year	**105.2**	96.6
	844.0	807.4
Dividends declared:		
Preferred	**33.3**	27.8
Ordinary	**46.1**	40.8
	79.4	68.6
Share issue expenses	**1.0**	—
	80.4	68.6
Balance, end of year	**$763.6**	$738.8

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet of Brascan Limited as at December 31, 1984 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 5, 1985

Touche Ross & Co.
Chartered Accountants

1. Summary of Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and all companies over which it has voting control, other than those operating in Brazil. The principal operating subsidiaries consolidated include the 70% interest in Brascade Resources Inc. and Brascade's 63% fully diluted interest in Westmin Resources Limited.

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the estimated fair values at the date of purchase.

Corporate Investments

Investments outside Brazil in which significant influence exists are carried on the equity method. Equity in the income of these investments is based on income as reported by the investee adjusted for the amortization of the difference between acquisition costs and the underlying net book value of investees' assets at the date of acquisition.

Brascan Brazil is carried at cost and represents the investment in those companies whose capital is registered under Brazilian foreign investment legislation. The investment in the company whose capital is not registered is not reflected in the financial statements. Income is recognized only when received.

The accounting policies of investees are in all material respects in accordance with those of Brascan Limited except for inventories and, in the case of Trilon Financial Corporation's life insurance operations, the accounting policies are as prescribed or permitted by the Department of Insurance of Canada.

Other Investments

Other investments consist mainly of common and preferred shares and are carried at cost which approximates market value.

Foreign Currency Translation

The Company's policy is to maintain overall balanced foreign currency positions with foreign currency amounts being translated into Canadian dollars as follows:

Monetary assets and liabilities and the carrying value (on the equity method) of the investment in Scott Paper Company at period-end rates of exchange;

Other assets and liabilities at historic rates of exchange;

Revenues and expenses at average rates of exchange for the period.

These procedures give rise to exchange translation gains and losses, the net amounts of which are included in income.

Petroleum Properties and Equipment

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized by cost centre until commencement of production and then amortized on the revenue depletion method over estimated proven reserves. The cost of petroleum plant and equipment is depreciated based on production.

Mining and Mineral Exploration

Mineral exploration costs pertaining to individual mineral prospects are charged to income as incurred until an economic orebody is defined. The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized based on the unit of production method over the estimated life of the ore reserves.

2 **Loans and Accounts Receivable**

Loans and accounts receivable include $13.1 million (1983 – $12.0 million) due from officers and directors under the Company's share purchase plans.

3 **Corporate Investments**

millions	1984	1983
Natural resources –		
Noranda Inc.	**$1,672.8**	$1,542.1
Lacana Mining Corporation	**34.2**	35.0
	1,707.0	1,577.1
Consumer products –		
John Labatt Limited	**247.8**	232.4
Scott Paper Company	**514.9**	421.9
	762.7	654.3
Financial services –		
Trilon Financial Corporation	**170.2**	157.0
Other operations –		
Great Lakes Group Inc.	**97.8**	44.0
Brascan Brazil	**62.5**	54.6
	160.3	98.6
	$2,800.2	$2,487.0

In May 1984, Brascade Resources Inc. purchased 7,572,889 common shares of Noranda Inc. at a cost of $174.6 million raising its interest to 46%.

In July 1984, Great Lakes Group Inc. issued 6,799,400 common shares for $113.3 million reducing the Company's common share interest to 64% (49% voting) and the resulting gain on dilution is included in investment income.

In November 1984, the Company purchased 650,000 common shares of Scott Paper Company at a cost of US$20.3 million raising its interest to 25%.

Included in the carrying values of corporate investments on the equity method is $319.1 million (1983 – $316.2 million) representing the remaining unamortized excess of acquisition costs over underlying net book value of the investees' assets. This amount relates principally to property, plant and equipment of investees and is being amortized over the estimated useful lives of the assets.

4. **Property and Equipment**

millions	1984			1983
	Cost	**Accumulated depreciation and depletion**	**Net**	Net
Petroleum	**$398.5**	**$63.7**	**$334.8**	$301.9
Mining	**189.5**	**15.2**	**174.3**	79.5
Coal properties and other	**10.4**	**3.3**	**7.1**	7.4
	$598.4	**$82.2**	**$516.2**	$388.8

5. **Term Debt**

millions	1984	1983
Term bank loans due 1985 to 1992	**$631.2**	$610.9
Promissory notes	**61.8**	61.8
Other obligations due annually 1985 to 1988	**49.0**	59.9
	$742.0	$732.6

At December 31, 1984 the weighted average interest rate on term debt was 9.8%.

Maturities during the next five years are as follows:

millions	
1985	$ 31.9
1986	174.9
1987	84.1
1988	162.5
1989	204.6

6. **Shareholders' Equity**

Share capital –
Authorized:

509	6% cumulative voting preference shares convertible into ordinary shares (1983 – 548)
Unlimited	1976 voting preferred shares issuable in series
Unlimited	1981 preferred shares issuable in series
Unlimited	Class A ordinary shares
Unlimited	Class B ordinary shares
5,000,000	Class C ordinary shares
Unlimited	Class D ordinary shares

millions		1984	1983
Issued and outstanding:			
509	6% preference shares (1983 – 548)	**$ .1**	$ .1
1,346,800	1976 8½% tax deferred preferred shares Series A (1983 – 1,354,800)	**33.6**	33.8
3,970,900	1981 $2.6875 cumulative redeemable preferred shares Series A	**99.3**	99.3
12,000,000	1981 floating rate cumulative redeemable preferred shares Series B, C and D (1983 – 8,000,000)	**300.0**	200.0
27,410,071	Ordinary shares (1983 – 26,540,143)	**198.4**	188.0
		631.4	521.2
Retained earnings		**763.6**	738.8
		$1,395.0	$1,260.0

(a) 1976 Preferred shares

The Series A and Series B 1976 preferred shares rank equally and are entitled to preference over the 1981 preferred shares and the ordinary shares on the declaration of dividends and on distribution or winding up.

The first series of preferred shares consists of 1,346,800 8½% cumulative redeemable Series A preferred shares, issued and outstanding, designated as "8½% tax deferred preferred shares Series A". The second series consists of 1,400,000 10% cumulative redeemable preferred shares Series B, none of which have been issued. Each Series A share is convertible after April 15, 1988, into one Series B preferred share. Dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders until 1988.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to $25.00. The Company may redeem the 8½% Series A preferred shares at a premium of $0.75 per share reducing by $0.25 annually to 1987 and at $25.00 thereafter.

(b) 1981 Preferred Shares

During the year, the Company issued 4,000,000 1981 Series D preferred shares for cash of $100.0 million.

The Series A, B, C and D 1981 preferred shares rank equally and are entitled to preference over the ordinary shares on the declaration of dividends and on distribution or winding up and rank junior to the 1976 preferred shares.

The 1981 Series A preferred shares are retractable at the option of the holder at par on May 15, 1986 and are redeemable by the Company on or after that date at a premium of $1.25 reducing by $0.25 annually to 1991

and at $25.00 thereafter. These shares are subject to a maximum quarterly purchase obligation at prices up to $25.00 per share, cumulative annually and totalling 20,000 shares, to June 30, 1986 and thereafter to a quarterly maximum of 1%, 4% cumulative annually, of the number outstanding at May 15, 1986.

The 1981 Series B and Series C preferred shares are retractable at a rate of 5% per annum commencing June 30, 1986 and, as to the remaining balance, on June 30, 1991.

The Series A, B and C shares are entitled to dividends at a floating rate equal to one half of the average prime commercial lending rate plus 1½% and the Series D shares are entitled to dividends at a floating rate equal to 70% of the prime commercial lending rate.

(b) Ordinary shares

Number of Shares	1984	1983
Class A	**27,272,599**	27,169,757
Class B	**120,446**	140,524
Class C	**1,484,880**	1,523,384
Class D	**—**	—
Issued and outstanding	**28,877,925**	28,833,665
Less Class A convertible shares held by an associated company (cost – $16.2 million; 1983 – $25.2 million)	**1,467,854**	2,293,522
	27,410,071	26,540,143

The Class A, B, C and D ordinary shares rank equally in all respects except for the following:

Class A and Class B shares are fully interconvertible at the option of the holder.

Dividends on Class B shares may be paid by way of stock dividend.

Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years and are convertible into Class A shares at the option of the holder.

Class D shares are non-voting.

Changes in the number of Class A, B, C and D shares outstanding from year to year reflect shares issued upon the conversion of preference shares and conversions by the holders among the classes and shares issued under the Company's share purchase plans. In 1984 44,000 Class A shares were issued under such plans at an average price of $32.03.

7. Income and Resource Taxes

millions	1984	1983
Income taxes –		
Deferred	**$15.5**	$28.4
Other	**(2.7)**	(4.2)
	12.8	24.2
Resource taxes	**7.1**	7.0
	$19.9	$31.2

The difference between the approximate statutory rate of 51% and the effective rate of 7% is attributable to non-taxable investment income reduced by losses for tax purposes the benefit of which has not been recorded.

Non-capital losses in excess of $200.0 million are available to reduce such taxable income as may arise in the future.

8. **Commitments and Contingencies**

Westmin Resources Limited is proceeding with development of the H-W mine, Myra Falls, British Columbia at an estimated cost of $230.0 million for which financing has been arranged. As at December 31, 1984, $162.3 million had been expended.

Based on the latest actuarial valuations of the various retirement plans covering most employees in Canada, there are no major unfunded obligations for past service costs.

9. **Statutory Information**

(a) Segmented information for consolidated natural resource operations:

millions	**1984**	1983
Westmin Resources Limited:		
Gross operating revenue –		
Petroleum	**$ 97.7**	$ 83.4
Mining	**23.0**	34.0
Other	**12.7**	11.3
	$133.4	$128.7
Identifiable assets	**$746.6**	$625.2
Capital expenditures	**$145.0**	$ 68.1
Income for the year:		
Westmin Resources Limited	**$ 50.7**	$ 58.2
Noranda Inc.	**(13.0)**	(16.2)
Total	**$ 37.7**	$ 42.0

(b) Income before unallocated expenses has been determined after the following:

millions	**1984**	1983
Equity in income of corporate investments	**$ 84.9**	$ 61.9
Dividend income	**25.4**	26.0
Gains on dilution and disposal of investments	**71.5**	102.3
Foreign exchange losses	**1.6**	1.4
Depreciation, depletion and amortization	**16.6**	12.7

millions	**1984**	1983
(c) Interest on debt with a term of less than one year	**$ 1.7**	$ 4.1

10. **Related Party Transactions**

The Company and certain of its affiliates arrange, without cost, investment transactions on behalf of other affiliates. In addition, financing transactions with affiliates are carried out at normal market terms. Such transactions were not significant in relation to the aggregate of similar transactions with unrelated parties. Minority interest and other investments include $215.8 million and $42.8 million respectively, which relate to associated companies.

11. **Comparative Figures**

Certain of the prior years' accounts have been reclassified to conform with the 1984 presentation.

Directors

Roberto Paulo Cezar de Andrade
President and Chief Executive Officer
Brascan Brazil

Edward M. Bronfman*
Deputy Chairman
Edper Investments Ltd.

Peter F. Bronfman*
Chairman of the Board
Edper Investments Ltd.

Jack L. Cockwell*
Executive Vice-President and
Chief Operating Officer
Brascan Limited

Jill K. Conway
(director-elect)
President
Smith College

Charles D. Dickey, Jr.
Chairman and Chief Executive
Officer (retired)
Scott Paper Company

Robert A. Dunford
Chairman of the Board
Great Lakes Group Inc. and
Senior Vice-President
Brascan Limited

J. Trevor Eyton*
President and Chief Executive Officer
Brascan Limited

Edwin A. Goodman O.C.
(director-elect)
Senior Partner
Goodman & Goodman

J. Peter Grace
Chairman and Chief Executive Officer
W.R. Grace & Co.

James F. Grandy
President
Reisman and Grandy Limited

Lewis B. Harder
Chairman of the Board
International Mining Corporation

Norman E. Hardy*
Chairman of the Board
John Labatt Limited

Patrick J. Keenan
Chairman of the Board
Keewhit Investments Limited

Paul M. Marshall
President and Chief Executive Officer
Westmin Resources Limited and
President and Chief Executive Officer
Canada Development Investment Corp.

Harold P. Milavsky
President and Chief Executive Officer
Trizec Corporation Ltd.

Earl H. Orser
President and Chief Executive Officer
London Life Insurance Company

Jaime Ortiz-Patiño*
President and Chief Executive Officer
Patiño Investments S.A.

Sam Pollock
Chairman of the Board and President
Carena-Bancorp Equities Inc.

Alfred Powis O.C.
Chairman and Chief Executive Officer
Noranda Inc.

John A. Scrymgeour*
Chairman of the Board
Westburne International Industries Ltd.

Peter N.T. Widdrington
President and Chief Executive Officer
John Labatt Limited

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A. William Farmilo
Pender Island, Canada

Edward C. Freeman-Attwood
Rio de Janeiro, Brazil

John F. Gallagher
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Antonio Gallotti
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John F. Kearney
Toronto, Canada

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Toronto, Canada

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Jaime Ortiz-Patiño
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